

Message Text

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PAGE 01 OECD P 04352 01 OF 03 191735Z

47

ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 EURE-00 SSO-00 INRE-00 NSCE-00

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DODE-00 EB-07 FEAE-00 FPC-01 H-01 INR-07 INT-05 L-02

NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03 SP-02 SS-15

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TO SECSTATE WASH DC IMMEDIATE 5523

INFO AMEMBASSY ANKARA

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C O N F I D E N T I A L SECTION 01 OF 03 OECD PARIS 04352

E.O. 11652: GDS

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PAGE 02 OECD P 04352 01 OF 03 191735Z

TAGS: ENRG, OECD

SUBJECT: IEA: MEETING OF STANDING GROUP ON PRODUCER-
CONSUMER RELATIONS

SUMMARY: AT FEBRUARY 17-18 MEETING, SPC AGREED ON DRAFT AGENDA FOR FORMAL CONSUMER-PRODUCER MEETING WHICH WILL BE SUBMITTED TO MARCH 6-7 GOVERNING BOARD. AGENDA CLOSELY COINCIDES WITH ISSUES RAISED IN SECRETARY KISSINGER'S FEBRUARY 3 SPEECH FOR CONSUMER-PRODUCER DIALOGUE. REGARDING TWO MAIN ISSUES OF DEBATE, THE SPC DECIDED THAT 1) THE INITIAL AGENDA ITEM CALLING FOR AN EXCHANGE OF VIEWS SHOULD BE LIMITED TO THE "INTERNATIONAL OIL/ENERGY SITUATION" RATHER THAN TO THE "INTERNATIONAL ECONOMIC SITUATION," AND 2) THAT OIL PRICES AND SECURITY OF SUPPLY SHOULD BE SEPARATE AGENDA ITEMS. NO DECISION WAS REACHED AS TO THE OPTIMUM SEQUENCE OF AGENDA ITEMS, ALTHOUGH MOST DELEGATIONS, INCLUDING U.S., INCLINED TOWARD PLACING THE POTENTIALLY MORE CONTENTIOUS PRICE AND SUPPLY ITEMS TOWARD THE END OF THE AGENDA. LONG LIST OF ITEMS FOR WHICH BRIEFING PAPERS SHOULD BE PREPARED FOR MAIN CONFERENCE, SUBMITTED BY CHAIR, WAS ULTIMATELY JUDGED PREMATURE. INSTEAD, CHAIR WILL CIRCULATE PRIOR NEXT SOM/GB MEETING ON MARCH 5, BRIEFING PAPER SUPPORTING IEA CHOICE OF AGENDA ITEMS FOR USE AT PREPCON. END SUMMARY

1. THE TWO-DAY SPC MEETING CONCENTRATED ON DRAFTING THE AGENDA FOR THE FORMAL PRODUCER-CONSUMER CONFERENCE. SEPARATE DRAFTS BY THE NETHERLANDS, GERMANY AND THE CHAIRMAN PROVIDED THE BASIS FOR DISCUSSION. DESPITE INITIAL DIFFERENCES AMONG DELEGATIONS ON VARIOUS POINTS, THE FINAL PRODUCT CLOSELY COINCIDES WITH THE ISSUES FOR PRODUCER-CONSUMER DIALOGUE DESCRIBED IN SECRETARY KISSINGER'S FEBRUARY 3 SPEECH. THE ONLY ADDITIONS ARE THE FIRST ITEM, A DESCRIPTIVE EXCHANGE OF VIEWS ON THE WORLD OIL/ENERGY SITUATION, AND ITEM NUMBER SEVEN UNDER AREAS OF COOPERATION RELATING TO DEVELOPMENT OF ENERGY RESOURCES. THE AGENDA IS STRUCTURED SO THAT THE INITIAL DESCRIPTIVE ITEM IS SEPARATED FROM THE OPERATIONAL ITEMS OUTLINING POSSIBLE AREAS OF COOPERATION.

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PAGE 03 OECD P 04352 01 OF 03 191735Z

2. THE DRAFT TEXT TO BE SUBMITTED TO THE GOVERNING BOARD FOLLOWS:
BEGIN TEXT:
ANALYSIS OF SITUATION
AN EXCHANGE OF VIEWS ON THE SITUATION IN THE WORLD OIL/ENERGY MARKET AND ITS INFLUENCE ON THE DEVELOPMENT OF THE WORLD ECONOMY, WORLD TRADE, AND INTERNATIONAL MONETARY RELATIONS.

AREAS OF COOPERATION

IN ORDER TO AMELIORATE THE CONDITIONS ARISING
FROM THE CURRENT OIL SITUATION, COOPERATIVE EFFORTS WILL
BE CONSIDERED WITH RESPECT TO:

1. THE ECONOMIC DEVELOPMENT OF AND INVESTMENT IN
PRODUCER COUNTRIES INCLUDING THE TRANSFER OF TECHNOLOGY,
INDUSTRIALIZATION, THE DEVELOPMENT OF AGRICULTURE AND
THE INFRASTRUCTURE;
2. THE ECONOMIC DEVELOPMENT OF AND INVESTMENT IN
DEVELOPING CONSUMER COUNTRIES INCLUDING THE TRANSFER OF
TECHNOLOGY, INDUSTRIALIZATION, THE DEVELOPMENT OF
AGRICULTURE AND THE INFRASTRUCTURE;
3. SHORT-TERM FINANCIAL FLOWS;
4. LONGER-TERM INVESTMENT IN INDUSTRIALIZED
CONSUMER COUNTRIES;
5. SECURITY OF SUPPLIES AND OF THE OIL MARKETS;
6. OIL PRICES;
7. THE DEVELOPMENT OF ENERGY RESOURCES.

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PAGE 01 OECD P 04352 02 OF 03 191739Z

47

ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 EURE-00 SSO-00 INRE-00 NSCE-00

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INFO AMEMBASSY ANKARA

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C O N F I D E N T I A L SECTION 02 OF 03 OECD PARIS 04352

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PAGE 02 OECD P 04352 02 OF 03 191739Z

CONCLUSION, INCLUDING POSSIBLE ARRANGEMENTS FOR FURTHER
CONSULTATION END TEXT

3. MOST OF THE DEBATE CENTERED ON TWO MAIN ISSUES:

A) WHETHER THE ANALYTICAL OR DESCRIPTIVE ITEM SHOULD BE
CONFINED TO A REVIEW OF THE "INTERNATIONAL OIL SITUATION"
OR BROADENED TO ENCOMPASS THE "INTERNATIONAL ECONOMIC
SITUATION." AND B) WHETHER PRICE SHOULD BE LINKED TO
SECURITY OF SUPPLY OR MADE A SEPARATE AGENDA ITEM.

4. REGARDING A) ABOVE, ALL DELEGATIONS AGREED THAT THE
CONFERENCE SHOULD CONCENTRATE ON OIL, BUT THE CANADIANS,
BELGIANS, AND SWISS PRESSED FOR THE BROADER HEADING
AS A MEANS FOR AVOIDING THE APPEARANCE OF CONFRONTATION
AT THE OUTSET OF THE CONFERENCE. THE U.S. AND GERMANS
IN PARTICULAR EMPHASIZED THE NEED TO CONFINE DISCUSSION
TO OIL PROBLEMS, AND ARGUED AGAINST PROVIDING AN EARLY
OPPORTUNITY FOR THE PRODUCERS AND/OR LDCS TO RAISE THE
RAW MATERIAL AND OTHER NON-OIL ISSUES. AS A COMPROMISE,
THE SWEDISH DELEGATION SUGGESTED A DISCUSSION OF THE
"INTERNATIONAL ENERGY SITUATION." THE FINAL LANGUAGE
CALLING FOR AN EXCHANGE OF VIEWS ON THE SITUATION IN THE
WORLD OIL/ENERGY MARKET IS BASED ON ARTICLE 47 OF THE
IEP. THE DECISION AS TO WHETHER "ENERGY" OR "OIL" SHOULD
BE USED WAS LEFT FOR DECISION BY THE GOVERNING BOARD.

5. MOST COUNTRIES, PARTICULARLY THE GERMANS AND

JAPANESE, INITIALLY FAVORED LINKING PRICE AND SECURITY OF SUPPLY. THE U.S. ARGUED THAT THESE TWO ITEMS SHOULD BE SEPARATED BECAUSE PRICE PERVADES ALL AGENDA ITEMS AND SHOULD NOT BE CONFINED TO QUESTIONS RELATED TO SUPPLY. THE FINAL LANGUAGE REFLECTS THE U.S. VIEW BUT THE SEPARATE ITEM "SECURITY OF SUPPLIES AND OF OIL MARKETS" WAS INTERPRETED BY JAPAN TO INCLUDE A FORM OF BALANCE BETWEEN SUPPLY SECURITY FOR CONSUMERS AND MARKET SECURITY FOR PRODUCERS.

6. THE FINAL AGENDA ITEM REPRESENTS A COMPROMISE FROM LANGUAGE SUPPORTED BY MOST DELEGATIONS FOR "ARRANGEMENTS FOR REGULAR CONSULTATIONS" TO THE MORE GENERAL AND CONFIDENTIAL

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PAGE 03 OECD P 04352 02 OF 03 191739Z

TENTATIVE FINAL TEXT PROPOSED BY THE U.S.

7. NO FIRM AGREEMENT WAS REACHED ON THE OPTIMUM SEQUENCE OF AGENDA ITEMS, PARTICULARLY WHETHER OIL PRICES AND SECURITY OF SUPPLY SHOULD BE DISCUSSED TOWARD THE BEGINNING OR AT THE END OF THE AGENDA. MOST COUNTRIES, SUPPORTED BY THE U.S., OPTED FOR PUTTING THESE POTENTIALLY MORE CONTENTIOUS ISSUES TOWARD THE END OF THE AGENDA SINCE IT WAS NOT CLEAR YET HOW THEY MIGHT BE HANDLED AND OTHER AGENDA ITEMS COULD MORE READILY LEND THEMSELVES TO COOPERATIVE ARRANGEMENTS. CHAIRMAN WILTON NOTED THAT THE ORDER OF ITEMS MIGHT NOT BE VERY IMPORTANT SINCE SEVERAL ISSUES COULD BE DEALT WITH SIMULTANEOUSLY IN DIFFERENT WORKING GROUPS.

8. IN ADDITION TO AGENDA, SPC DISCUSSED IN PRELIMINARY WAY SUBJECTS FOR WHICH PAPERS WOULD BE REQUIRED IN PREPARATION OF PRODUCER/CONSUMER DIALOGUE. CHAIR INITIALLY CIRCULATED DRAFT PAPER CONTAINING LIST OF OVER THIRTY SUBJECTS, INCLUDING AND EXPANDING UPON THOSE IN AGENDA, FOR WHICH POSITION AND/OR ANALYTICAL BRIEFING PAPERS WOULD BE REQUIRED BEFORE MAIN CONFERENCE. OBJECTIVE WAS NOT ONLY TO IDENTIFY WORK ALREADY DONE AND PAPERS PREPARED AND ANTICIPATED BY OTHER GROUPS, ALONG LINES OF REVISED ANNEX F OF IEA/SPC(75)1, BUT ALSO TO CLASSIFY NATURE OF PAPERS (FOR INSTANCE, "POSITIVE" APPROACH DENOTING ITEMS CONSUMERS WOULD WISH TO RAISE; "DEFENSIVE" LIST DENOTING ITEMS LIKELY TO BE RAISED BY PRODUCERS) AND DEGREE OF URGENCY IN THEIR PREPARATION. AFTER RAMBLING AND UNPRODUCTIVE DISCUSSION, CANADA, WITH SUPPORT FROM DENMARK, U.S. AND OTHERS, SUGGESTED FURTHER DISCUSSION OF LIST PREMATURE AND THAT ATTENTION SHOULD BE FOCUSED ON IDENTIFYING THOSE FEW ISSUES THAT NEEDED TO BE ADDRESSED BEFORE THE PREPCON. THIS WOULD INCLUDE AN ANALYTICAL BRIEF FOR EXPLAINING OUR CHOICE OF AGENDA

AND CERTAIN ISSUES, SUCH AS LINK BETWEEN OIL AND RAW
MATERIALS, WE ANTICIPATE WILL BE RAISED BY PRODUCERS AT
PREPCON. CHAIR UNDERTOOK TO DRAFT AND CIRCULATE AS
FIRST STEP BRIEFING PAPER ON PROPOSED CONSUMER AGENDA TO
BE USED BY PREPCON REPRESENTATIVES. THIS INITIAL PAPER
WILL BE CIRCULATED PRIOR TO NEXT SPC MEETING SCHEDULED
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PAGE 04 OECD P 04352 02 OF 03 191739Z

1100 HOURS MARCH 5. SECRETARIAT ALSO UNDERTOOK TO
REVIEW SUBJECTS LIST WITH OBJECTIVE OF IDENTIFYING WORK

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PAGE 01 OECD P 04352 03 OF 03 191740Z

47

ACTION EUR-12

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C O N F I D E N T I A L SECTION 03 OF 03 OECD PARIS 04352

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PAGE 02 OECD P 04352 03 OF 03 191740Z

GOING ON ELSEWHERE, SIMILAR TO ANNEX F.

9. DURING FOREGOING DISCUSSION OF SUBJECTS TO BE PREPARED WITHIN IEA BETWEEN NOW AND CONFERENCE, SEVERAL DELEGATIONS, INCLUDING UK AND NETHERLANDS, DREW PARTICULAR ATTENTION TO TRADE RELATIONS BETWEEN PRODUCER AND CONSUMER COUNTRIES AND VARIOUS ASPECTS OF THE PRICE ISSUE, AS MATTERS NOT NOW ADEQUATELY COVERED IN IEA WORK PROGRAM. SUGGESTION WAS MADE TO REMIT TRADE ISSUE TO OECD TRADE COMMITTEE AND ASPECTS OF PRICE BE HANDLED IN VARIOUS GROUPS AS APPROPRIATE. U.S. DEL RESPONDED THAT TRADE ISSUES MIGHT INITIALLY BE COVERED IN OECD SECRETARIAT PAPER UNDER PREPARATION FOR AD HOC GROUP ON "POSSIBILITIES FOR IMPROVEMENT BETWEEN CONSUMER AND PRODUCER COUNTRIES" (SEE DOCUMENT GB75-7) AND THAT IN ANY EVENT MORE SPECIFIC GUIDANCE WOULD BE REQUIRED BEFORE APPROACHING OECD TRADE COMMITTEE. AS FOR PRICE ISSUE, U.S. DEL STATED THAT ALL ASPECTS OF PRICE, INCLUDING INDEXATION, HAD TO BE TREATED IN INTEGRATED FASHION; HOWEVER, THIS IMPORTANT BASIC BRIEFING PAPER COULD NOT BE DRAFTED UNTIL FURTHER PROGRESS MADE IN AREA OF ACCELERATED DEVELOPMENT OF ALTERNATIVE SOURCES OF ENERGY. OTHER DELEGATES APPEAR TO HAVE ACCEPTED THIS VIEW ALTHOUGH SOME STILL WAIT WITH ANTICIPATION FORTHCOMING OECD SECRETARIAT PAPER ON INDEXATION.

10. BILATERAL CONTACTS. UNDER THIS AGENDA ITEM, U.S. DEL MADE BRIEF STATEMENT DENYING PRESS REPORTS THAT SECRETARY'S DISCUSSIONS WITH KING FAISAL INCLUDED SUBJECT OF BILATERAL OIL DEALS. OTHER ITEMS MENTIONED WITHOUT COMMENT WERE ALGERIA'S CALL FOR "NEW WORLD

ECONOMIC ORDER" AND DAKAR CONFERENCE RESOLUTION ON
INCLUSION OF RAW MATERIALS GENERALLY IN PRODUCER/
CONSUMER CONFERENCE.

11. UNDER OTHER BUSINESS, UK DEL NOTED THAT CHAIRMAN'S
REPORT OF AD HOC GROUP ON FINANCIAL AND INVESTMENT
ISSUES DID NOT RECORD LINK TO SPC ALTHOUGH GOVERNING
BOARD IN ITS DIRECTIVE TO AD HOC GROUP DID SO. LANTZKE
RESPONDED THAT HE WOULD BRING THIS TO ATTENTION OF CHAIR
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PAGE 03 OECD P 04352 03 OF 03 191740Z

OF AD HOC GROUP.
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Message Attributes

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Draft Date: 19 FEB 1975
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